

Message Text

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PAGE 01 SEOUL 06198 250718Z

ACTION EA-09

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FM AMEMBASSY SEOUL

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LIMITED OFFICIAL USE SEOUL 6198

STATE PASS EXIMBANK

EO 11652: N/A

TAGS: ETRD, BENC KS

SUBJ: MAJOR PROJECTS - THIRD EXPANSION PLAN OF (POSCO) POHANG

IRN AND STEEL CO.- ELECTRICAL SHEET MILL CONSTRUCTION

REF: SEOUL (76) 4599

1. EMBASSY WAS VISITED JULY 25 BY MR. G.C. TURNER, V.P. OF AETNA-STANDARD ENGINEERING CO., 320 FIRST STREET, ELLWOOD CITY, PENNA., LEAD FIRM IN A CONSORTIUM (AETNA, GENERAL ELECTRIC, ELECTRIC FURNACE CO. AND GERMAN MILL MANUFACTURERS) FOR CONSTRUCTION OF POSCO'S 80,000 TON CAPACITY ELECTRICAL SHEET MILL DESCRIBED REFTEL. THE MILL WHICH APPEARS AS PRIORITY NUMBER FOUR ON THE ECONOMIC PLANNING BOARD (EPB) LIST OF PROJECTS FOR WHICH IT DESIRES U.S. EXIMBANK APPROVAL IN 1977, IS PART OF POSCO'S THIRD EXPANSION PLAN.

2. TURNER STATED THAT, AT ITS JULY 21 BOARD MEETING, EXIMBANK HAD BEEN UNABLE TO APPROVE THE PROJECT BECAUSE OF AN ALLEGED RESERVATION BY THE DEPARTMENT OF COMMERCE THAT CONSTRUCTION OF THE PLANT "MIBHT INCREASE U.S. IMPORTS OF ELECTRICAL (SILICON) SHEET FROM KOREA." HE REPORTED THAT THE BOARD HAD RESCHEDULED THE PROJECT FOR CONSIDERATION AT ITS JULY 28 MEETING.

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3. AETNA HOPES THAT THE PROJECT CAN BE CARRIED OUT WITH U.S. EQUIPMENT AS FAR AS POSSIBLE, ALTHOUGH IT HAS FOUND IT NECESSARY TO GO TO WEST GERMANY FOR A \$7 MILLION MILL, BECAUSE ITS AFFILIATED CO. BLAW-KNOX CANNOT MAKE A COMPETITIVE OFFER. HOWEVER, TURNER STATED THAT IN THE EVENT THAT EXIMBANK MIGHT BE UNABLE TO APPROVE THE PROJECT, HIS FIRM WOULD "SALVAGE ITS CONTRACT

IN EUROPE WHERE A NUMBER OF FIRMS WOULD JUMP AT THE OPPORTUNITY
AND COULD CERTAINLY OBTAIN OFFICIAL FINANCING."

4. EMBASSY COMMENT: EMBASSY HAS NO REPEAT NO INFORMATION
CONCERNING THE STATUS OF EXIMBANK CONSIDERATION OF THE PROJECT.
HOWEVER, DEPARTMENTS SHOULD BE AWARE THAT PLANT WILL BE BUILT
AND ITS OUTPUT WILL SUBSTITUTE FOR SHEET NOW WHOLLY IMPROVED
FROM JAPAN. PRESENT ROK DEMAND IS 50 TO 60,000 METRIC TONS
WHICH IS EXPECTED TO INCREASE ANNUALLY BY 6,000 TONS (9 PERCENT
PER ANNUM) OR MORE UNDER THE FOURTH FIVE YEAR PLAN (1977-81).
THEREFORE, DOMESTIC DEMAND MAY BE EXPECTED TO BE JUST SLIGHTLY
UNDER 80,000 TONS WHEN PLANT IS COMPLETED IN LATTER HALF 1979.
POSCO FORESEES NO EXPORTABLE SURPLUS UNTIL 1980 FOR NON-ORIENTED
SHEET (1,700 TONS) AND 1981 FOR ORIENTED SHEET (3,000 TONS),
AND EXPECTES THAT SUCH MARGINAL AMOUNTS WILL DISAPPEAR BY 1986
AND 1982 RESPECTIVELY. SHOULD GOALS BE EXCEEDED, AS THEY HAVE
BEEN CONSISTENTLY IN PREVIOUS ROK PLANNING, IT IS EVEN LIKELY
THAT NO REPEAT NO EXPORTABLE SURPLUS WOULD BE AVAILABLE IN
THOSE YEARS.

5. CONSIDERING THAT THE PROJECT CAN EASILY BE LOST TO EURO-
PEAN COMPETITORS AND WILL NOT AFFECT U.S. STEEL EXPORTS, AND
THAT IT WILL RESULT IN OVER \$30 MILLION IN BUSINESS AND
CONSEQUENT EMPLOYMENT TO THE THREE U.S. FIRMS INVOLVED, EMBASSY
BELIEVES IT TO BE WORTHY OF STRONG STATE/COMMERCE RECOMMENDATION
TO U.S. EXIMBANK.
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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition History: n/a
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